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SUBJECT: STAFFDEL MAKOVSKY MEETS WITH AKP INSIDER AND U.S.
BUSINESSES

Classified By: Classified by Consul General Sharon A. Wiener for reason
s 1.4 (b) and (d).

11. (U) Summary: On September 3 a House Foreign Relations Committee staff delegation led by Alan Makovsky discussed the future of the ruling Justice and Development Party (AKP) with AKP founding member H. Cuneyd Zapsu; and, in a separate meeting, discussed the Turkish business climate with members of the American Business Forum in Turkey (ABFT). Zapsu said that AKP has learned its lesson from the headscarf controversy and will now focus on reforms, while the ABFT members expressed concern that regional instability would dampen otherwise bright prospects for their businesses. End Summary.

Zapsu: Full Steam Ahead With Reforms

12. (U) Although Zapsu has no current official position in the government, he is widely described as Turkish Prime Minister Erdogan's "right hand man" and has been called a "shadow prime minister." In March, he resigned his party position as administrative board member in order, he says, to have more personal time, but continues to serve as a "Special Assistant" to Erdogan. He has recently begun consulting for the private equity firm Texas Pacific Group.

13. (C) Zapsu says that, following the initiation of the closure case against AKP, AKP analyzed what went wrong -- including, he said, a "horrible trap" set by MHP on the headscarf issue (by first supporting and then opposing a constitutional amendment) -- and has "learned its lesson." Now, in order to achieve the results that AKP desires (including entry into the EU, writing a new constitution, and a doubling of the country's per capita income), AKP must reach out to "everyone."

14. (C) With respect to the headscarf issue, Zapsu said that the AKP would not pursue the issue further. He also said that if the secularists knew Erdogan's daughters, they wouldn't worry, because they are all "feminists." (Zapsu's wife and one of his own three daughters, both uncovered, briefly joined our meeting. Zapsu's wife gained much notoriety several years ago by entering a mosque uncovered and joining a group of men at prayer.) Zapsu himself is modern, western and, while religious, also clearly "secular," at least as that term is used in the U.S. He is outraged that the Constitutional Court held him guilty of (as he put it) "attempting to bring Sharia law to Turkey." He wanted to appeal the verdict to the European Court of Human Rights, but Erdogan told him to "forget it."

15. (C) Regarding the AKP's reform agenda, Zapsu said that Ali Babacan might soon be replaced as chief EU negotiator, to

enable him to focus on the Israel-Syria conflict mediation. The AKP hopes to submit to Parliament a complete rewrite of the constitution in the near future. It is unlikely to submit it to a referendum, which is a process that the AKP prefers to avoid unless it is certain of success. A new constitution will require the support of MHP, which MHP has promised to provide. Zapsu laughed, however, when Makovsky noted that MHP had twice before reneged on its promises to support the AKP (on the election of a president and the headscarf).

¶16. (C) In a quick tour d'horizon of regional issues, Zapsu predicted that Turkey would be the "good guys" with respect to Armenia; that Talat is the "right guy" for Cyprus; that differences with Iran must be "worked out" in some way; and that Europe (including Turkey) needs to "hold together" and be "tough" on Russia with respect to Georgia, because "Russia needs the world as much as the world needs Russia."

ABFT: Regional Instability is Bad for Business

¶17. (U) The Staffdel also met with ABFT founding members Rahsan Cebe, Turkish Managing Partner of Cushman and Wakefield (C&W), and Serif Kaynar, Turkish Managing Partner of Korn/Ferry International (KFI). Both were optimistic about the future business climate in Turkey, if regional instability can be contained.

¶18. (U) C&W's Istanbul office covers Turkey, the Ukraine, and Russia. In Russia, it works only with private companies; it says that it is impossible to work with the Russian government. It projects its greatest international growth to

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come from China, the UK, and Turkey. Both C&W and KFI believe that the top problems in Turkey for foreign businesses are rule of law, intellectual property rights, and work permits for foreign workers. Both C&W and KFI have good relations with the AKP, and argue that the U.S.'s improved relations with GOT have been good for business.

¶19. (U) Kaynar thinks that the AKP's privatization efforts, in particular, have been good for business because, once privatized, state owned enterprises no longer were in a position to extract bribes. Kaynar described the current business climate as "good," with much capital coming in from many different sources. (Kaynar tempered his praise of AKP by also noting that AKP benefited from a good world-wide economy.) Kaynar thinks that the future prospects for Turkey are very good, because "there is talented management in Turkey." He predicted that in ten years, half of the cars in Europe will be manufactured in Bursa/Kocaeli (Turkey's industrial heartland).

¶10. (U) Kaynar and Cebe believe that the Georgia situation is very problematic for Turkey. The problem that Turkish trucks are having getting into Russia is a reflection of Russia's unhappiness with Turkey's support of Georgia. Kaynar said that Russia is also unhappy with Turkey because it is developing alternative gas routes, and also because it supposedly is "Turkifying" Russia through its Gulen schools. Kaynar explained that while Turkey gets two-thirds of its gas from Russia, Turkey represents only three percent of Russia's sales; thus, Russia can withhold gas from Turkey without suffering substantial financial hardship. Cebe said that most Turks are unaware that Turkish troops have been posted to Georgia, training Georgian troops. Kaynar described Turkey's history of business dealings with Iran as "full of disasters"; asserted Iran is not a "reliable partner"; and argued Turkish businessmen do not want to deal with Iran.

¶11. (U) Both Kaynar and Cebe think that the largest concern of the U.S. business community in Turkey is that USG not offend Russia. They expressed great concern that a regional conflict would be bad for business. Kaynar also predicted that the Armenian Genocide Resolution, if passed, could badly damage U.S. businesses, since both private enterprises and the GOT will avoid doing business with them.

¶12. (U) The Staffdel did not have an opportunity to clear this cable.
WIENER